

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 422 - HB 999

March 8, 2013

SUMMARY OF BILL: Changes the wholesaler beer tax from a tax levied on the retail price charged by wholesalers to retailers, to a tax levied on the retail price, less any state and federal beer barrel privilege taxes charged by wholesalers to retailers.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$44,200/Department of Revenue

Decrease Local Revenue - \$8,539,100


Assumptions:

- Pursuant to Tenn. Code Ann. § 57-6-103, the wholesaler beer tax is 17.0 percent of the wholesale price charged to retailers. The allocation of such revenue is as follows: 3.0 percent is retained by the wholesaler for the cost of accounting and remittance, 0.5 percent is allocated to the Department of Revenue for administration, and the remaining 96.5 percent is retained by local governments.
- Pursuant to Tenn. Code Ann. § 57-5-201, the state beer barrel privilege tax is \$4.29 per barrel of 31 liquid gallons. This tax is paid by entities, generally beer manufacturers, that store, sell, distribute by gift or sale, or that manufacture beer in this state.
- According to the Department of Revenue, the federal beer barrel tax rate is \$18.00 per barrel of 31 liquid gallons. This tax is also paid by entities, generally beer manufacturers, that store, sell, distribute by gift or sale, or that manufacture beer in this state.
- Manufacturers are assumed to pass the cost of beer barrel privilege tax onto wholesalers who are assumed to subsequently pass the cost onto retailers. As a result, when computing wholesaler beer tax owed, the tax is levied on the retail price paid by the retailer, which includes any beer barrel privilege taxes that have been passed onto and paid by the wholesaler. However, the maximum amounts of state and federal beer barrel privilege tax that can be passed on from the wholesaler to the retailer, for the purpose of determining the retail price the wholesaler may charge the retailer, is capped at \$3.90 and \$9.00 respectively (or \$12.90 combined).
- This bill effectively reduces the wholesaler tax base by an amount equal to 17.0 percent of state and federal beer barrel privilege taxes paid by the wholesaler, up to the maximum of \$12.90 per barrel.

- Using monthly revenue reports distributed by the Department of Revenue, total state beer barrel tax revenue was approximately \$17,310,300 in FY11-12. This amount is assumed to remain constant into perpetuity.
- The number of barrels to which this bill applies is estimated to be 4,035,035 (\$17,310,300 / \$4.29)
- The recurring decrease in wholesaler tax revenue is estimated to be \$8,848,832 [(4,035,035 barrels x \$12.90) x 17.0% wholesaler tax rate).
- The recurring decrease in state revenue is estimated to be \$44,244 (\$8,848,832 x 0.5%); the recurring decrease in local government revenue is estimated to be \$8,539,123 (\$8,848,832 x 96.5%).
- Wholesalers will retain approximately \$265,465 (\$8,848,832 x 3.0%) each year for the cost of accounting and remittance.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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